

Response to Questions on the Retirement System Review

Request By: Supervisor Storck

Question: Could flexibility be provided in the retirement systems to allow employees to choose the amount that they would like to contribute to the system with a corresponding impact to their retirement benefit?

Response: Retirement systems that provide flexibility for employees to choose their level of contribution typically do so through a hybrid plan design, which integrates a defined benefit plan with a defined contribution plan. In these systems, the employee contribution to the defined benefit component, if required, cannot be varied. However, the employee contribution, and employer matching contribution, to the defined contribution component can be changed by the employee. Due to the Board's commitment to maintaining a defined benefit retirement system, staff has not developed any options for Board consideration that would incorporate a hybrid plan design. If the Board desires to explore a hybrid plan design, clarification will be required from the state regarding how a hybrid plan should be measured against the requirement to provide at least two-thirds of the benefit provided by the Virginia Retirement System (VRS).

The County's current retirement benefits include a defined benefit pension system that is funded through a combination of employer and employee contributions, as well as a deferred compensation 457 plan that is funded solely through employee contributions. Preliminary discussions with the actuary for the retirement systems raised the possibility that the requirements of the Internal Revenue Code may not allow employees to vary their contributions to the benefit plan. However, employees are able to change their contribution level to the 457 plan at any point during the year, and the contribution rate can be established as any whole number percent of salary up to the annual maximum.